

Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 AF-10 ARA-14 EA-12 EUR-12 NEA-10
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P 070018Z SEP 78
FM SECSTATE WASHDC
TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS PRIORITY
AMEMBASSY ABIDJAN
AMEMBASSY BANGKOK
AMCONSUL BELIZE
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL CALI
AMEMBASSY CANBERRA
AMCONSUL CAPE TOWN
AMEMBASSY COPENHAGEN
AMCONSUL DURBAN
USMISSION GENEVA
AMCONSUL GUAYAQUIL
AMEMBASSY KHARTOUM
AMEMBASSY LILONGWE
AMEMBASSY LONDON
AMEMBASSY MAPUTO
AMEMBASSY MANILA
AMEMBASSY MBABANE
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PORT LOUIS
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AMEMBASSY PRETORIA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY SEOUL
AMEMBASSY STOCKHOLM
AMEMBASSY SUVA
AMEMBASSY TAIPEI

AMEMBASSY ANTANARIVO
AMEMBASSY TOKYO
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON

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USEEC, OECD, ALSO FOR EMBASSY

E.O. 11652:N/A

TAGS: EA, GR, ETRD

SUBJECT: WAYS AND MEANS COMMITTEE ACTION ON SUGAR

1. THE HOUSE WAYS AND MEANS COMMITTEE ON SEPT. 6 REPORTED OUT A BILL WHICH CONTAINS IMPLEMENTING LEGISLATION FOR THE INTERNATIONAL SUGAR AGREEMENT AND WHICH ESTABLISHES A DOMESTIC PRICE SUPPORT PROGRAM FOR SUGAR. WAYS AND MEANS COMMITTEE ACTION REPRESENTS A SOLID PLUS TO ADMINISTRATION EFFORTS TO SECURE RATIFICATION OF THE ISA TOGETHER WITH A REASONABLE AND COMPLEMENTARY DOMESTIC PROGRAM. THE ADMINISTRATION HAD VIGOROUSLY OPPOSED EFFORTS IN THE COMMITTEE TO PROVIDE THAT THE U.S. MARKET PRICE FOR SUGAR WOULD BE ESCALATED EACH YEAR BASED ON RISING COSTS OF UNCLASSIFIED

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PRODUCTION. THOUGH THE TRADE SUB-COMMITTEE OF WAYS AND MEANS HAD ENDORSED PRICE ESCALATION PROVISIONS EARLIER, FULL COMMITTEE ACTION REVERSED THIS APPROACH. RAPID ESCALATION OF THE U.S. MARKET PRICE FOR SUGAR WOULD HAVE PLACED OUT OF REACH THE GOAL OF A WORLD SUGAR PRICE UNDER THE ISA CLOSE TO THE DOMESTIC U.S. PRICE, THEREBY REDUCING THE NEED FOR IMPORT DUTIES ON SUGAR.

2. THE WAYS AND MEANS COMMITTEE BILL FEATURES A 15 CENT PRICE SUPPORT LEVEL FOR U.S. DOMESTIC SUGAR. DUTIES WOULD BE USED TO RAISE THE IMPORT VALUE TO THIS AMOUNT.

THE FIFTEEN CENT MARKET PRICE LEVEL, HOWEVER, WOULD CONTINUE FOR THE FIVE YEAR LIFE OF THE BILL, ALLOWING THE WORLD PRICE TO RISE TO MEET U.S. LEVEL. WHEN THE U.S. COST OF PRODUCTION OF SUGAR RISES OVER THIS FIFTEEN CENT LEVEL, THE ADMINISTRATION HAS PLEDGED TO MAKE UP THE DIFFERENCE TO PRODUCERS IN THE FORM OF DIRECT PAYMENTS. THE WAYS AND MEANS BILL CONTINUES TO DIFFER FROM THE ADMINISTRATION SUPPORTED PLAN IN TERMS OF PRICE LEVEL. THE ADMINISTRATION SUPPORTS A LEVEL OF 14.5 CENTS PER LB.

3. THE NEXT STEP IN ADMINISTRATION EFFORTS TO SECURE RATIFICATION IS FAVORABLE ACTION IN THE HOUSE RULES COMMITTEE, WHERE THE WAYS AND MEANS COMMITTEE BILL AND LESS MODERATE HOUSE AGRICULTURE COMMITTEE BILL ARE DUE TO BE CONSIDERED ON SEPTEMBER 13. CHANGES APPEAR GOOD THAT BOTH THE AGRICULTURE COMMITTEE AND WAYS AND MEANS COMMITTEE VERSIONS WILL BE REPORTED TO THE HOUSE FLOOR. HOUSE CONSIDERATION IS EXPECTED ABOUT SEPT. 20. AT ABOUT THE SAME TIME, SENATE ACTION ON SUGAR LEGISLATION IS EXPECTED. SUPPORT IN THE SENATE FOR LEGISLATION PROVIDING FOR HIGHER DOMESTIC PRICE LEVELS, RAPID ESCALATION, AND GLOBAL IMPORT QUOTAS APPEARS STRONG. A CONFERENCE COMMITTEE WOULD THUS SETTLE THE ISSUE. WHILE IT IS TOO UNCLASSIFIED

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EARLY TO PREDICT THE OUTCOME OF CONFERENCE, THE STRONG ADMINISTRATION STANCE OPPOSING ANY INFLATIONARY DOMESTIC PROGRAM AND ANY PROGRAM THAT WOULD BE INCONSISTENT WITH ISA WILL CLEARLY BE SIGNIFICANT.

4. WE CONTINUE TO BELIEVE THAT RATIFICATION OF THE AGREEMENT WILL FOLLOW IN SHORT ORDER CONGRESSIONAL ACTION ON A DOMESTIC PROGRAM ACCEPTABLE TO THE PRESIDENT.

5. ALTHOUGH MUCH GROUND REMAINS TO BE COVERED IN CONGRESS BEFORE THE U.S. CAN FULLY PARTICIPATE IN IT, THE WAYS AND MEANS COMMITTEE ACTION IS A VERY FAVORABLE DEVELOPMENT IN THAT EFFORT. CHRISTOPHER

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